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SIPDIS

STATE FOR NEA/ELA, L/CID/EDAUGHTRY AND EB/IFD/OIA/JROSELI  
USAID FOR ANE/MEA MCCLOUD  
USTR FOR SAUMS  
TREASURY FOR NUGENT/ADKINS  
COMMERCE FOR 4520/ITA/ANESA/TALAAAT  
SIPDIS

E.O. 12958: N/A

TAGS: [CASC](#) [EINV](#) [KIDE](#) [OPIC](#) [PGOV](#) [EG](#)

SUBJECT: EGYPT: 2006 REPORT ON INVESTMENT DISPUTES AND  
EXPROPRIATION CLAIMS

REF: STATE 60294

Post is aware of four (4) claims of U.S. persons that may be  
outstanding against the Government of Egypt (GOE):

11. a. Claimant A

b. 2001

c. In June 2001, the Alexandria Governorate took  
approximately 6,000 square meters from Claimant A's land (on  
which a factory had been built) to widen the adjoining  
highway. The Governorate's ensuing construction work also  
damaged a wall and some property. As a result of this  
action, Claimant A made a request to the Governorate for  
compensation of approximately \$390,000, for the sei  
zed land  
and physical damage. The compensation case proceeded  
smoothly at first. However, during the final stages of the  
compensation process in late 2003, the Governorate informed  
Claimant A that it did not have legal title to the entire  
property (despite documentation to the contrary), and thus  
had no right to compensation for the land taken for the  
highway.

The Governorate officials further informed Claimant A that  
it had no right to expand operations, sell the land or  
engage in any legal proceedings involving the land, and that  
the Governorate would file a lawsuit against Claimant A to  
reclaim the land. As a result of the dispute, Claimant A  
was unable to expand operations and meet growing export  
orders. After the U.S. Embassy participated in a meeting  
with Claimant A and GAFI, the GOE investment authority, GAFI  
established a technical committee to review the issue. In  
March 2005 GAFI officially confirmed Claimant A's ownership  
of the land and notified the Governorate, which then offered  
compensation of less than the \$90,000 requested by Claimant  
1A. Later in 2005, the Ministry of Housing assessed the  
value of the land based on 2003 prices. Claimant A disputed  
the assessment, and was informed by the Governorate that the  
land could only be re-assessed after three years. Claimant  
A's CEO met with the Governor to resolve the matter.  
Claimant A was later informed by the Governor that  
negotiations could only be conducted directly between the  
Governorate and Claimant A's headquarters. The parties are  
currently arranging to continue negotiations.

12. a. Claimant B

b. 1992

c. Claimant B was awarded a contract in 1989 to  
refurbish a GOE-owned hotel in the Ain Sokhna area.  
Claimant B had spent several million dollars by 1992 and was  
ready to inaugurate the project when the then-Ministry of

Public Enterprise informed Claimant B that the contract was null and void. Both parties agreed to arbitration, which resulted in a favorable ruling for Claimant B. Nonetheless, the Ministry of Public Enterprises continued to demand that Claimant B surrender the assets and took the matter to court. The court initially refused to hear the case on the grounds that the original contract stipulated that in case of legal dispute both parties would seek arbitration. The Ministry appealed the decision and the appellate court agreed to hear the case on the grounds that the arbitration decision was never executed. Claimant B petitioned against the appellate court's decision and no further court action was taken. There has been no change in the status of this case over the past year, and Claimant B has reportedly removed operations from Egypt. Claimant B has not contacted the Embassy since petitioning against the appellate court's decision and the Embassy considers the case closed until informed otherwise.

13. a. Claimant C  
b. 1998  
c. Claimant C secured a \$6.2 million, 4-year contract with the then-Ministry of Trade and Supply to provide both technical assistance to the Egyptian Export Development Center and export-promotion support to Egyptian companies. The money was allocated from the Ministry of International Cooperation through local currency proceeds generated from a USAID cash transfer program. Claimant C began providing training, and an initial payment of \$1.6 million was due in March 1998. In June 1998, Claimant C received only a partial payment of \$560,000 and the Egyptian Export Development Center, under the successor Ministry of Economy and Foreign Trade (now the Ministry of Trade and Industry) subsequently cancelled the contract and all future services to be provided, claiming services already provided were of unsatisfactory quality. No other payments were made, and the Egyptian Export Development Center was closed in 2002. The Embassy raised the issue numerous times with various officials, including the former Prime Minister but the GOE took no further action.

The Embassy repeatedly advised Claimant C to pursue arbitration, but Claimant C continued to seek a political solution. The Ministry of Trade and Industry has indicated in discussions with Embassy officials that a new export promotion center will open soon, Claimant C is welcome to submit a new proposal to provide services. Claimant C, however, seeks a written response from the Ministry of Trade and Industry to Claimant C's contention that the previous contract is still valid. Embassy officials continue to raise the issue with GOE officials.

14. a. Claimant D  
b. 2004  
c. The Egyptian National Air Navigation Services Company (NANSC), part of the Egyptian Ministry of Civil Aviation, contracted with Claimant D to supply seven surveillance radars to be installed in seven different locations across Egypt. Prior to the final stages of the contract, the Egyptian authorities seized the company's \$3.4 million performance bond, claiming performance deficiencies in the supplying of proper documentation, spare parts, and test equipment. The Embassy has been involved in discussions between the parties and has raised the dispute up to the level of the Prime Minister. In August 2004, a mediation committee was set up between the GOE and Claimant D to resolve the issue. However, NANSC terminated the committee before a decision was reached, and did not respond to solutions offered by Claimant D at the end of 2004 in the pursuit of a negotiated settlement. In January 2005 the Minister of Civil Aviation decided to resort to official arbitration after meeting with the senior management of Claimant D. In February 2005, Embassy officials approached the then-Ministry of Foreign Trade and Industry to press for resolution of the issue, but did not receive a response. The parties are currently still selecting arbitrators.

15. Claimant A: Colgate-Palmolive

Claimant B: H and H Enterprises  
Claimant C: International Trade and Marketing (ITM)  
Claimant D: Northrop and Grumman Electronic Systems